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Agricultural Situation

Italian Views on Sugar Reform

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Report Highlights: In 2005 area planted to sugar beets in Italy is expected to be 240,000 hectares, an increase of 30 percent over 2004 due mainly to a shift from corn in the Po valley. Italy, however, remains a deficit country for sugar, importing significant quantities from northern Europe. The recent Commission proposal for changes in support to the sugar sector is seen by the Italian Ministry of Agriculture and producers as jeopardizing the survival of the Italian refinery industry, as well as some of the sugar beet sector.

Includes PSD Changes: No
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Rome [IT1]
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The recent Commission proposal to reform the EU sugar sector has raised strong concerns and criticism from the Italian sugar industry. Under Secretary of Agriculture, Mr Paolo Scarpa, defined it as an "indecent proposal", urging other EU member countries to form a minority block, to influence some aspects of the proposal. According to the press, contacts have already been initiated with Spain and Poland to modify the proposal. "Only in this way we will be able to negotiate with a stronger position," Scarpa added, to counteract France, "that wishes to expand into the Italian market." The battle, however, will be a difficult fight. . On July 17, or the eve of the first EU Council discussing the proposal, there will be a demonstration of sugar beet growers and representatives of the sugar refining companies to protest against the proposed legislation, which, in their view, jeopardizes the survival of about 46,000 farms and 19 sugar refining plants, owned by 5 companies.

Italian sugar beet area in 2004 was about 185,000 hectares (of which 28,000 hectares were planted in the South), with a final white sugar production of 1,158,000 tons. Preliminary forecasts for this year indicate a substantial area increase to over 240,000 hectares, due mostly to a shift from corn in the Po valley (northern Italy). Italy, however, remains a deficit country for white sugar: in 2004 imports totaled about 785,000 tons, of which about half are of French and German origin. The Italian sugar beet sector, in fact, has remained marginal compared to northern Europe, in terms of both lower productivity and higher production costs. This situation is particularly true in the southern regions, where, as the Italian press reports, the Commission's experts believe the sugar beet area will be abandoned. Productivity is higher in the northern Italian regions. Other observers, believe that even the northern production may disappear and that all 19 refining plants will be closed in Italy. The Commission proposal gives significant incentives to abandon sugar processing.

What worries the Italian sugar industry more is that the primary effect of the reform would be that north-European production (especially in France and Germany), would probably survive because it is more competitive with respect to cane sugar imports from Brazil and other producing countries. The full implementation in 2013 of the EBA (Everything But Arms) agreement represents another factor of strong concern to the Italian processing industry, given that imports from many least developed countries will be very competitive.

From the agricultural standpoint, in view of the full implementation of the new Common Agricultural Policy, farmers will receive (starting with the 2006 crop) fully decoupled aids, which will grant sufficiently high incomes to allow choice for alternative cultivation. In the South, productivity is lower, and most of the current area will probably be abandoned or planted to horticultural crops. In the north, the level of abandonment from the beet area will depend on the competitive nature of other crops (especially corn, the more appealing alternative in the Po valley) in the medium term. The survival of the sugar beet sector, in any case, remains tied to an actual maintenance of the local sugar refining industry.

According to the Italian labor unions some 77,000 jobs in the refinery sector are at risk under the current Commission proposal. This factor will certainly create more pressure on the Italian Government to find a solution to soften the worst effects of the reform.